



Embargoed until Jan 14th 9:00 am ET
January 13, 2015

Contact: Kate Brewster / 486-9532
kbrewster@economicprogressri.org

New Study: Ocean State’s tax code asks those with least to pay most

RI now ranks 5th worst for taxes on the poor

Providence, RI: If you are among the lowest-income taxpayers in Rhode Island you can expect to pay nearly twice as much of your income towards state and local taxes as the wealthiest one percent.

A new study released by the Institute on Taxation and Economic Policy (ITEP) and the Economic Progress Institute finds that the lowest income Rhode Islanders pay 12.5 percent of their income towards state and local taxes compared to the state’s wealthiest residents who pay just 6.3 percent.

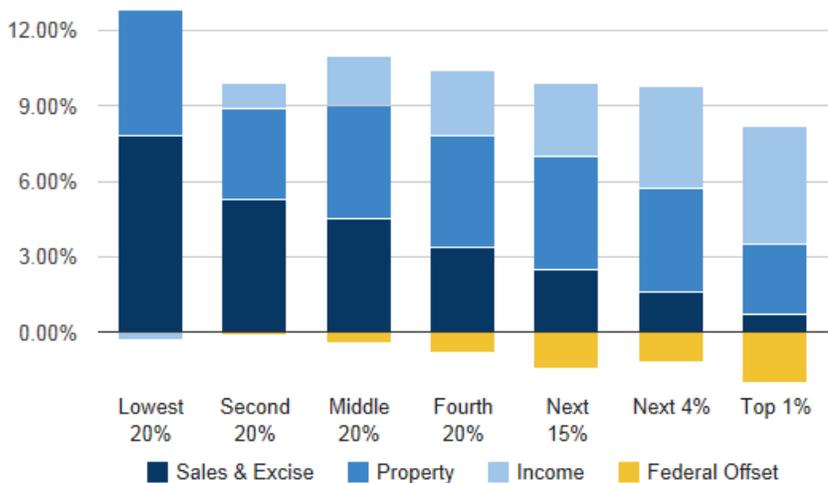
Rhode Island now ranks 5th worst in the country for taxes on the poor, up from 9th place two years ago. No other New England state ranks in the top ten.

“This study underscores why Rhode Islanders who are struggling in our low-wage economy should be the number one priority for any tax relief efforts

considered in the coming year” said Kate Brewster, executive director of the Economic Progress Institute, a non-partisan research and policy organization.

Brewster said last year lawmakers enacted tax reforms for Rhode Islanders at both the top and the bottom of the income ladder. At the top, significant estate tax breaks – totaling \$18 million - were enacted for those inheriting over a million dollars. At the bottom, property tax relief was eliminated for most low-income renters and homeowners and the state’s Earned Income Tax Credit was reduced and made fully refundable.

Rhode Island State & Local Taxes 2015



“Making our state’s Earned Income Tax Credit fully refundable last year was a first step towards making our tax structure fairer. This year we hope to see the EITC increased to at least be on par with our neighboring states who allow working families to keep more of their paycheck,” Brewster said.

Those who help low-wage taxpayers file for the EITC claim it is good for working families and local businesses. “The network of community action agencies helps thousands of working families file for the EITC. We know that when a refund comes, families spend it right away at local supermarkets, retailers, and other businesses” said Paula McFarland, executive director of the RI Community Action Association.

The study, *Who Pays?*, analyzes tax systems in all 50 states and factors in all major state and local taxes, including personal and corporate income taxes, property taxes, sales and other excise taxes. Virtually every state’s tax system is fundamentally unfair, taking a much greater share of income from middle- and low-income households than from wealthy households.

How states tax residents matters for a myriad reasons. In recent years, anti-tax advocates have pushed for tax policies across the country that would reduce tax rates for the wealthy and businesses. There are clear problems with this agenda, most notably that such tax cuts can result in states having difficulty adequately funding basic public obligations such as education, transportation, and public safety.

There’s also a more practical reason for Rhode Island and all states to be concerned about regressive tax structures, according to ITEP. If the nation fails to address its growing income inequality problem, states will have difficulty raising the revenue they need over time. The more income that goes to the wealthy through an unbalanced tax code, the slower a state’s revenue grows over time.

“In recent years, multiple studies have revealed the growing chasm between the wealthy and everyone else,” said Matt Gardner, executive director of ITEP. “Upside down state tax systems didn’t cause the growing income divide, but they certainly exacerbate the problem. State policymakers shouldn’t wring their hands or ignore the problem. They should thoroughly explore and enact tax reform policies that will make their tax systems fairer.”

The full study can be found at www.whopays.org.

###

The Economic Progress Institute a non-partisan research and policy organization that works to improve the economic security of low- and modest-income Rhode Islanders. www.economicprogressri.org

The Institute on Taxation and Economic Policy (ITEP) is a 501 (c) (3) non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. www.itep.org.